A PROPOSED SYNOPSIS ON

A STUDY OF NON-PERFORMING ASSETS AND ITS IMPACT ON FINANCIAL STATUS OF SELECTED URBAN CO-OPERATIVE BANKS IN LATUR DISTRICT

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INTRODUCTION:

A bank is an institution which provides banking and financial services by accepting deposits and providing loans to their customers. Now a day's bank has become an integral part of our day-to-day life by accessing even to a common man and their routines to fulfill the responsibilities and needs related to agriculture, industry and the service sector for the growth and development of all the sections of the society. Banks plays an important role in the economic system in terms of maximizes the production and accelerates consumption process and helps in circulation and exchange of money process. Banks also helps to boost in nations economy. But nowadays competition increases day by day. In the Indian banking industry banks has classified mainly in three categories.

There are three types of banks in India

(1) Commercial banks.

(2) Co-operative banks.

(3) Other Institutions.

There are two types of commercial bank, i.e., public sector commercial banks and private sector commercial banks. There are some types co-operative banks in India i.e., state co-operative banks, central bank, agricultural banks and land development banks. The reserve bank of India (RBI) is the only supreme authority to control the supply of money and other banking systems within the country.

COOPERATION:

Cooperation means working together without any individual interest. Co-operative banks are financial institutions established on a principle of cooperation. In its simplest form, cooperation may involve only two people who work together towards a common goal. Example, two college students working together to complete a laboratory experiment, two colleague working together to complete a common project. While performing banking functions, cooperative banks face many challenges like bad debts, non-performing assets (NPA) etc. We can discuss it as below.

NON-PERFORMING ASSETS:

A non performing asset (NPA) is a loan or advance for which the principal or interest payment remained overdue for a period of 90 days.

From the above meaning banks are required to classify its non-performing assets. Further it can be classified as Substandard, Doubtful and Loss assets.

1. Substandard assets: Assets which has remained for a period less than or equal to 12 months.
2. Doubtful assets: An asset which has remained it for a period of 12 months.
3. Loss assets: As per RBI, "Loss asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted, although there may be some salvage or recovery value."

BACKGROUND OF COOPERATION BANKS IN LATUR DISTRICT:

Latur district is situated in the Marathwada region of the Maharashtra state. This district consists of 10 talukas. Area of Latur district is 7,157 sq. km. Most of the people depend on agriculture. Latur is one of the educationally advanced districts of the state.

In Maharashtra there are 2 types of cooperative banks i.e., scheduled urban cooperative banks and nonscheduled urban cooperative banks. At present there are 42 scheduled urban cooperative banks in the state. Latur district is one of the major districts in Maharashtra and it belongs to Marathwada region. In Latur districts there are many types of banks. In the district, there are private sector banks, public sector banks, cooperative banks. Cooperative movement is another 'Latur Pattern' recognized at national level. There are about 11 sugar factories among which Manjara, Vikas and Rena are center of excellence. Apart from this in the district there are many cooperative banks with the no of branches at taluka level. Latur Urban cooperative bank is one of the leading cooperative banks in Maharashtra state.

NEED OF THE STUDY:

This study is done to understand the banks non performing asset and its impact on Banking sector specially on Urban Cooperatives Banks in Latur districts. And to suggest the way to reduce the non-performing assets. And also causes for the increase in non-performing assets. As we know banking system plays a vital role in the finance sector. Without the sound and efficient system of the bank will lead to a healthy economy. The Narasimhan committee introduced the concept of non- performing assets. And it is the best way for judging the status of the bank. The burden will lie on the bank for the non-payment of loans. When the loans are not repaid there will be a huge loss to the bank and there will be money to transact between the customers. It is a risk arising from the customers to the bank. The bank needs to bear all

the risks. Nowadays non-performing asset is kept on increasing in both public sector banks and private sector banks. They face ultimate survival in the market. As compared to public sector-private sector banks have less non-performing assets, and their net worth is slightly increasing. NPA hurts funds over banks in capital markets. The government of India propounds many policies and rules to decrease and control over non-performing assets. Non-performing assets are the only reasons to fall on revenue. The object of this comparison between the private sector banks and public sector banks is to outcast the impact between them and the reasons behind the banks on non-performing assets. The need of the study is that Latur district is known for Cooperate hub, as there are 11 Sugar industries and, in the district, there are many cooperatives' banks are operated. Increasing NPA is main financial problem for any banks because it reduces revenue and cooperative banks work on the basic principle of cooperation.

OBJECTIVES OF THE STUDY:

1. To study the historical background of urban co-operative Banks in Maharashtra in general and Latur district in particular.
2. To study the performance of selected urban cooperative banks in Latur district.
3. To know the problems and prospects of urban co-operative Banks.
4. To understand the NPA and its impact on performance of selected urban cooperative banks in Latur district.
5. To study the causes that lead to creation of Non – Performing Assets.
6. To find the impact of recovery measures on NPA trends.
7 To suggest suitable measures to improve financial status of urban cooperative banks in Latur district

HYPOTHESIS:

1. The existing financial practices of urban cooperative banks leads in better management of funds and services.
2. The net profitability of urban cooperative banks of Latur district are declining.
3. There is no significant impact of NPA on financial status of urban cooperative banks in Latur district.
4. There is positive relationship between profit earned by the urban cooperative banks of Latur district and their NPAs during 2015 to 2020.

RESEARCH METHODOLOGY AND DATA COLLECTION

The data collection for this project will be both primary as well as secondary data. The primary data will be collected from a sample survey. A sample of 300 respondents will be collected from research area. The secondary data will be collected from internal sources. It will be collected on the basis of different RBI publications, government reports, bank reports, official records, and data available on the official website.

Various statistical tools such as measures of central tendency, percentile, quartile will be used as per the need. Diagram and charts will be used with the help of excel sheet.

SCOPE OF THE STUDY

1) Periodical scope: The periodical scope of this research will be for 5 years i.e. 2015 to 2020.
2) Geographical area: The geographical scope of the study will be Maharashtra in general and Latur district in particular.
3) Operational scope: This will consider study of NPA and its impact on performance of cooperative banks. The main revenue source for banks is giving loans and advances. Non-Performing assets are bad for banks or institutions. Non-Performing Assets shows a bad financial picture of the bank.

CHAPTER SCHEME

1) Introduction
2) Research methodology
3) Cooperative banks in India
4) Selected co-operative banks profile of Latur district
5) Review of Literature
6) NPA analysis and interpretation of data of selected cooperative banks of Latur district
7) Findings and suggestions

The above chapter scheme is tentative. It may change in the course of the study.

(Suraj Bansode) **(Dr. Balasaheb Chavan)**

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